

**INSTRUCTIONS FOR FILING LOCAL GOVERNMENT INSURANCE
PREMIUM TAX ANNUAL RECONCILIATION (LGT 140)**

(KRS 91A.080, 806 KAR 2:095, and 2:097)

1. THE LGT-140 MUST BE FILED ON OR BEFORE MARCH 31ST OF EACH YEAR. A hard copy of the LGT-140 shall be delivered to each local government to which local government premium taxes is owed or has been paid during the previous year. The annual reconciliation shall be submitted electronically to the Department of Insurance (Department). Filing electronically with the Department does not constitute compliance with the filing requirements for the local governments. Insurance companies/surplus lines brokers shall continue to send hard copies of their annual reconciliation (Form LGT-140) to the local governments.
2. **MANDATORY ELECTRONIC FILING:** The Local Government Premium Tax annual reconciliation report shall be submitted to the Department in an electronic format. **The Department no long accepts hard copy annual reconciliation reports.** Users may choose from two electronic options:

- Secure File Transfer Protocol ("SFTP")
- E-Services Portal

Documentation on how to submit electronically is on the Department of Insurance website, at http://insurance.ky.gov/Docs.aspx?Div_id=13 under the heading "Annual Reconciliation Electronic Submission."

3. ELECTRONIC FILING OPTIONS AND INSTRUCTIONS

A. Secure File Transfer Protocol ("SFTP")

If choosing the SFTP method, users must request access to the system by contacting the Department at DOI.ISHelpDesk@ky.gov or by calling: (502) 782-5359. If the Department has previously approved a test file and assigned a username and password for SFTP access, that username and password will suffice for access in subsequent years.

B. E-Services Portal

i. Surplus Lines Brokers

Access to electronically submit the annual reconciliation pursuant to KRS 91A.080 will automatically be added to any existing E-services account.

ii. Insurance Companies

Insurance companies will need to establish an E-services account. The process to establish an account is outlined in the "User Documentation for Companies" section at: http://insurance.ky.gov/Docs.aspx?Div_id=13.

iii. Local Governments

Local governments that wish to view their data online may do so through E-Services. Local governments must request access to view the annual reconciliation data through an email sent to DOI.ISHelpDesk@ky.gov or by calling: (502) 782-5359.

4. FILING FEE: A filing fee of \$5.00 per insurance company/surplus lines broker shall be submitted to the Department with the annual reconciliation filing in a format compatible with the electronic filing option chosen.

Where there are no premiums collected within any of the taxing authorities, see #10 below. Inquiries regarding the preparation of the annual reconciliation should be directed to the address above or by calling 502-564-1649.

5. EACH INSURANCE COMPANY/SURPLUS LINES BROKER MUST FILE. GROUP FILINGS ARE NOT ACCEPTABLE. Always provide the employer identification number assigned by the IRS and other required information, including the telephone number of the person preparing the return. Please do not staple the filings.
6. Each tax return for each local government must bear the certification (signature of preparer and date prepared) as shown on the specimen.

7. THE TAX RETURN IS A SPECIMEN ONLY. It is preferred that insurance companies/surplus lines brokers use Form LGT-140 prepared by the Department. However, insurance companies/surplus lines brokers may use forms substantially similar to the specimen. If a substantially similar form is used, each insurance company/surplus lines broker is responsible for producing tax return forms that contain the information requested in the general arrangement shown on the specimen. No font size smaller than 8pt shall be used when preparing the LGT-140.
8. Any license fee or tax not paid on or before the due date shall bear interest at the tax interest rate as defined in KRS 131.010(6) from the date due until paid. Such interest is payable to the local governments.
9. The tax rates may change effective July 1. Be certain to use the correct tax percentage. Please refer to the annual bulletin for tax rates effective after July 1.
10. If the insurance company/surplus lines broker has collected no premiums within any taxing authority for the kinds of insurance subject to this tax, the insurance company/surplus lines broker shall notify the Department of Insurance by completing Form LGT-140 and state the reason that no Kentucky Local Government Premium Taxes were due. This report shall be submitted in accordance with the electronic filing procedures outlined herein and be accompanied by a fee of \$5.00 per insurance company/surplus lines broker. An insurance company/surplus lines broker shall not file Form LGT-140 with local governments where the tax liability is NONE.
11. Reports that are not legible will not be accepted.
12. Annual reconciliations must be filed by tax year. The Department of Insurance cannot approve more than one LGT-140 submission for any local government. If errors in the LGT-140 are discovered, an amended annual reconciliation (Form LGT-140) identifying the amendments/corrections must be completed in its entirety. The amended annual reconciliation shall be conspicuously stamped "Amended." Submit the amended annual reconciliation form to the local government along with additional tax amounts due, if applicable, and a **hard copy** of the form to the Department

of Insurance. Amended annual reconciliation forms shall not be submitted electronically to the Department.

13. SPECIAL INSTRUCTIONS RELATED TO SURPLUS LINES BROKERS

Annual reconciliations shall be filed with the Department of Insurance and the applicable local government by the surplus lines broker. Each return submitted to the local governments shall include a listing of the insurance companies that supplied the coverage for which the premiums and taxes are being reported. This information shall be listed in Section III of Form LGT-140. **Please note that surplus lines brokers are not required to submit a separate Form LGT-140 to each local government for each insurance company through which insurance business was exported. Surplus lines brokers shall utilize the electronic filing procedures when submitting the annual reconciliation to the Department.**

14. PROPER COMPLETION OF THE ANNUAL RECONCILIATION FORM TO BE SUBMITTED TO LOCAL GOVERNMENTS

Insurance companies/surplus lines brokers must complete and submit a hard copy of the annual reconciliation form (LGT-140) to each local government to which taxes are due.

A. SECTION I

QUARTERLY INFORMATION

Column 1: Use the tax rate in effect for each quarter for each line of coverage. If premiums were returned at a different rate, they must be listed as a separate line item within that line of coverage.

Column 2: Include all premiums collected at an insurance company's home, administrative, or regional offices during a calendar quarter for the lines of coverage subject to LGPT. **This column is for the reporting of premiums only. Do not add the amount of taxes collected or paid to the amount reported in this column.**

Column 3: This is the amount actually due the local government for each quarter (check schedule for minimum taxes or flat fees). In this column, **always** indicate the amount of tax that should have been paid even when filing amended reconciliations.

Column 4: The collection fee shall be 15% of the tax or 2% of the premium, whichever is less. (The collection fee is not to be deducted from the tax payable.)

Column 5: When the tax payable (the amount in Column 3) is assessed upon the policyholder, Column 5 is the total of Columns 2 and 3. When the tax and collection fee are assessed upon the policyholder, Column 5 is the total of Columns 2, 3, and 4. If the tax and collection fee are paid solely by the insurance company/surplus lines broker, Column 5 will equal column 2.

Column 6: This is used when there was an error reported in Column 3 on the quarterly filings (form LGT-141) to the local government. When any additional tax is due the local government, the amount should be shown in Column 6 and also in Section II for computation of interest due. Any overpayment should be shown in Column 6 and taken in subsequent quarters.

Credits (Form LGT-142) In the columns for the line listed "Credits" (Form LGT 142), please fill out for each quarter and compute the total in the "Annual Totals" section. **FOR THIS SCHEDULE**, there are 9 cities that need an LGT-142 filed - BULLITT COUNTY - Hebron Estates, Mount Washington, Hillview, and Shepherdsville; HOPKINS COUNTY - Dawson Springs; MEADE COUNTY - Ekron; MENIFEE COUNTY - Frenchburg; PULASKI COUNTY - Science Hill; WAYNE COUNTY - Monticello (See LGT-142 Instructions):

ANNUAL TOTALS: Total annual figures for premiums received, tax payable, and interest paid are necessary.

B. SECTION II:

This section must be completed for all taxes that were not paid. Be certain to give totals for "Interest Due" and "Total Tax and Interest Due," along with "Date Tax Was Paid." Interest is computed from the date the tax was due (30 days after the end of each calendar quarter) until the date the tax is paid at the interest rate prescribed by the Kentucky Revenue Cabinet. The Kentucky Department of Revenue has set the annual interest rate for the 2012 tax year at 6%.

C. SECTION III:

Surplus lines brokers filing LGT-140 in accordance with KRS 304.10-180 shall complete Section III. Each return submitted to the local governments by surplus lines brokers shall include a listing of the insurance companies that supplied the coverage for which the premiums and taxes are being reported. **Please note that surplus lines brokers are not required to submit a separate Form LGT-140 to each local government for each insurance company through which insurance business was exported.**

D. SECTION IV:

Filings will not be approved without the proper certification (signature of preparer and date prepared).